

**TOWNSHIP OF BLUE LAKE
KALKASKA COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014**



TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds	
Balance Sheet	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances with the Statement of Activities	16
Fiduciary Funds	
Statement of Net Position	17
Notes to the Financial Statements	18
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	28
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Fire Fund	29
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Trash Fund	30
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Highway Improvement Fund	31
<u>SUPPLEMENTAL INFORMATION</u>	
2013 Property Tax Levy and Collections Schedule	33

INDEPENDENT AUDITORS' REPORT

To the Township Board
Township of Blue Lake, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Township of Blue Lake, Michigan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Township of Blue Lake, Michigan, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Blue Lake, Michigan's basic financial statements. The 2013 Property Tax Levy and Collections Schedule is presented for additional analysis and is not a required part of these financial statements. The 2013 Property Tax Levy and Collections Schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the Township of Blue Lake, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Township of Blue Lake, Michigan's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI
December 9, 2014

Management Discussion and Analysis

As the Township Board of Blue Lake Township (the “Township” or “government”), Kankaska County, we offer readers of the Township’s financial statements this narrative overview and analysis of the financial activities of Blue Lake Township for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of Blue Lake Township exceeded its liabilities at the close of the most recent fiscal year by \$2,493,534. Of this amount, \$344,643 is unrestricted and may be used to meet the township’s ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Township’s governmental funds reported combined ending fund balances of \$765,084, an increase of \$93,135 in comparison with the prior year. Of the entire total amount, \$319,967 is unassigned and available for spending at the township’s discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$319,961, or 233 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Blue Lake Township’s basic financial statements. The Township’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Township’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Township’s assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the Township’s financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Township’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., intangible and capital assets).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include: general government, public safety, road projects, and township improvements. Blue Lake Township does not have any business-type activities (examples would include water and sewer).

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Blue Lake Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Blue Lake Township are categories as governmental and fiduciary funds.

Governmental funds *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Blue Lake Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, township improvement fund, fire & rescue fund, trash pickup fund, and highway improvement fund. All Township government activities are included in these five funds. The Township adopts an annual appropriated budget for its general fund and all special revenue funds.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the Township's programs. These funds are accounted for using the full accrual method of accounting much like the proprietary funds. The Township reports one fiduciary fund, the tax fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Blue Lake Township, assets exceeded liabilities by \$2,493,534 at the close of the most recent fiscal year.

By far the most significant portion of the Township's net position \$1,728,449, or 69 percent of the total, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Township used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The Township's investment in its capital assets has been made over the past several years and no related debt is outstanding.

Blue Lake Township capital assets include the Township hall located on Twin Lake Rd., two fire and rescue barns located on Blue Lake Rd., fire fighting and rescue equipment, computers, and several plots of land located through out the township.

Township of Blue Lake
Net Position for June 30, 2014 and June 30, 2013

	Governmental Activities	
	2014	2013
ASSETS		
Cash & Cash Equivalents	\$ 751,435	\$ 660,207
Receivables (Net)	9,889	9,364
Prepaid Expenditures	-	3,671
Total Current Assets	<u>761,324</u>	<u>673,242</u>
<i>Noncurrent Assets</i>		
Capital Assets (Net)	728,915	780,127
Intangible Assets (Net)	999,535	937,218
Due from Agency Fund	10,000	-
Total Assets	<u>2,499,774</u>	<u>2,390,587</u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	6,240	1,291
Total Current Liabilities	<u>6,240</u>	<u>1,291</u>
NET POSITION		
Net Investment in Capital Assets	1,728,449	1,717,345
Restricted	420,442	375,884
<i>Unrestricted</i>	344,643	296,067
Total Net Position	<u>\$ 2,493,534</u>	<u>\$ 2,389,295</u>

A portion of the Township's net position (420,442 or 16 percent) represents resources that are subject to external restrictions on how they may be used (highway, fire & rescue, trash pickup). The remaining balance of *unrestricted net position* \$344,643 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive fund equity balances in both the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Statement of Activities

Governmental activities increased the Township's net position by \$104,239. A two year comparative summary of the changes in net position for the Township is as follows:

**Township of Blue Lake
Change in Net Position for Fiscal Year Ended
June 30, 2014 and June 30, 2013**

	Governmental Activities	
	2014	2013
Revenue		
Program Revenues		
Charges for Services	\$ 17,475	\$ 16,414
Capital Grants & Contributions	500	10,000
<i>Total Program Revenues</i>	17,975	26,414
General Revenues		
Property Taxes & Assessments	402,900	396,459
State Revenue Sharing	45,360	48,151
Interest & Rents	2,789	1,960
Other	3,718	2,022
<i>Total Revenues</i>	472,741	475,006
Expenses		
General Government	122,409	127,287
Public Safety	127,992	121,738
Public Works	103,239	100,424
Community & Economic Development	13,012	12,437
Health & Welfare	1,851	1,524
<i>Total Expenses</i>	368,503	363,410
<i>Change in Net Position</i>	104,239	111,596
<i>Beginning Net Position</i>	2,389,295	2,277,699
<i>Ending Net Position</i>	\$ 2,493,534	\$ 2,389,295

Financial Analysis of the Government's Funds

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$765,084, an increase of \$93,135 in comparison with the prior year. Of this \$765,084 fund balance, \$420,442 is restricted.

General Fund The general fund is used for normal governmental activities such as, paying employees, running elections, zoning activities, office supplies, and other activities. The general fund increased its fund balance in this fiscal year by \$43,733, bringing the balance to \$319,961.

Fire Fund The fire and rescue fund is used to operate, maintain and equip the fire and rescue department. The fire fund is supported by a 1.00 tax mill which is used both for operations and capital improvements. The fund balance of the fire fund at the most recent fiscal year end was \$246,145. This was an increase of \$37,875 from the previous fiscal year end.

Highway Improvement Fund The highway improvement fund is used to construct, pave and repave roads within the township. This fund is supported by a 1.2 mill tax levy. The fund balance of the highway improvement fund at the most recent fiscal year end was \$124,765. This was an increase of \$8,017 from the previous fiscal year end. This fund was used to finance the paving of Twin Lake Road in the summer of 2014 at a total project cost of \$121,156.

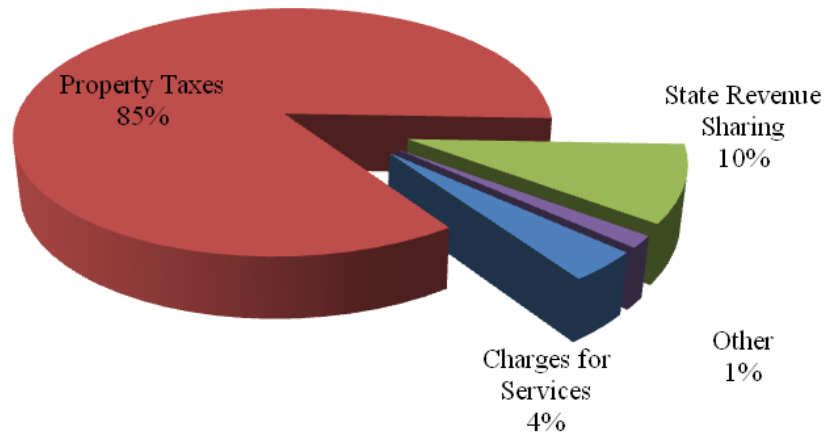
Improvement Revolving Fund The improvement revolving fund is used for unbudgeted emergency situations. The fund balance of the township improvement fund at the most recent fiscal year end was \$24,681. This was an increase of \$4,843 from the previous fiscal year end. This fund was used to purchase a new township septic system.

Trash Pickup Fund The trash pickup fund is used to pay a contractor to remove residential waste from the Township. The fund is supported by a 0.6 mill tax levy which was reduced by the township board to 0.4 mills in order to reduce the value of the fund. The fund balance of the trash pickup fund at the most recent fiscal year end was \$49,532. This was a decrease of \$1,333 from the previous fiscal year end.

Governmental Activities

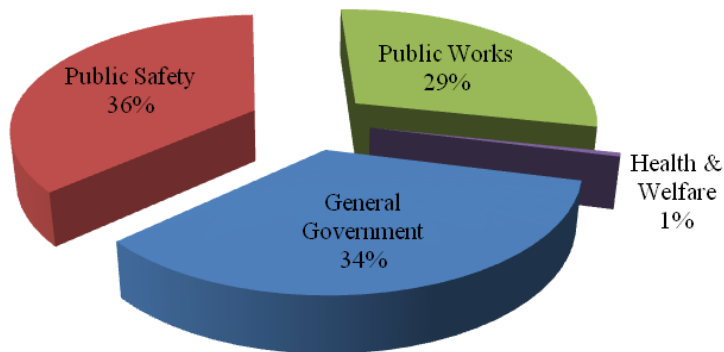
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year end.

Governmental Activities Expenses



General Fund Budgetary Highlights

Changes from the original budget and the final amended budget were relatively minor for the year. During the current fiscal year, the Township had no actual expenditures in excess of the amount budgeted in the final amended budget of the general fund.

Capital Asset and Debt Administration

The Township's investment in capital assets for governmental activities at year end amounted to \$1,728,449 (net of accumulated depreciation). Capital assets of the Township include any items purchased that cost in excess of \$1,000 and have an expected useful life of more than one year. The Township has invested in a broad range of capital assets, as detailed below:

Township Blue Lake Capital Assets as of June 30, 2014

	Governmental Activities
Land	\$ 1,705
Buildings	505,525
Equipment	811,319
Road Improvements	1,262,323
<i>Subtotal</i>	<u>2,580,872</u>
Accumulated Depreciation	<u>852,423</u>
<i>Net Capital Assets</i>	<u>\$ 1,728,450</u>

Economic Factors and Next Year's Budgets and Rates

While state shared revenues have been lower in recent years and negatively impacted provision of general government services, including street maintenance, these revenues have at least leveled off.

Home sales in the area have also been light with owners receiving lower prices than expected; this has lowered the residential tax base in the Township. The Township's taxable value decreased to \$101,384,329.

The Township's general fund millage rate (normally 1.00 mill) was reduced in 2013 by the Headlee Amendment rollback to 0.8123 mills for general operating purposes. This remains the same for 2014. Looking ahead, we will continue to balance the budgets with tight controls over spending, while striving to provide the Township's residents with the same level of service to which they have been accustomed.

Contacting the Township's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Township's finances and demonstrate the Township's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to:

Township of Blue Lake, Dean McCulloch – Township Supervisor, 10599 Twin Lake Road, Mancelona, Michigan 49659

BASIC FINANCIAL STATEMENTS

**Township of Blue Lake
Statement of Net Position
June 30, 2014**

	Primary Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash & Cash Equivalents	\$ 751,435
Receivables (Net)	9,889
Total Current Assets	761,324
<i>Noncurrent Assets</i>	
Land	1,705
Capital Assets (Net)	727,210
Intangible Assets (Net)	999,535
Due from Agency Fund	10,000
Total Assets	2,499,774
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	4,567
Accrued Payroll & Related Liabilities	1,673
Total Current Liabilities	6,240
<i>Noncurrent Liabilities</i>	
Total Liabilities	6,240
NET POSITION	
Net Investment in Capital Assets	1,728,449
<i>Restricted for:</i>	
Highway Improvements	124,765
Fire Protection	246,145
Trash Pickup	49,532
<i>Unrestricted</i>	344,643
Total Net Position	\$ 2,493,534

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Blue Lake
Statement of Activities
For the Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Revenue</u> <u>Primary</u> <u>Governmental</u> <u>Activities</u>
Primary Government					
Governmental Activities:					
Legislative	\$ 28,349	\$ --	\$ --	\$ --	\$ (28,349)
General Government	94,059	6,612	--	--	(87,447)
Public Safety	127,992	--	--	500	(127,492)
Public Works	103,239	10,863	--	--	(92,376)
Community & Economic Development	13,012	--	--	--	(13,012)
Health & Welfare	1,851	--	--	--	(1,851)
<i>Total Primary Government</i>	<u>\$ 368,502</u>	<u>\$ 17,475</u>	<u>\$ --</u>	<u>\$ 500</u>	<u>\$ (350,527)</u>

General Purpose Revenues and Transfers:

Revenues

Taxes	402,900
State Revenue Sharing	45,360
Interest & Rents	2,789
Other	3,717

Transfers

<i>Total General Revenues and Transfers</i>	<u>454,766</u>
<i>Change in Net Position</i>	<u>104,239</u>
<i>Net Position at Beginning of Period</i>	2,389,295
<i>Net Position at End of Period</i>	<u>\$ 2,493,534</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Blue Lake
Balance Sheet
Governmental Funds
June 30, 2014**

	<u>Special Revenue</u>				<u>Nonmajor</u>	Total Governmental Funds
	<u>General</u>	<u>Fire</u>	<u>Trash Pickup</u>	<u>Highway Improvement</u>	<u>Improvement Revolving</u>	
ASSETS						
Cash & Cash Equivalents	\$ 304,749	\$ 247,757	\$ 49,520	\$ 124,734	\$ 24,675	\$ 751,435
Receivables (Net)	9,779	61	12	31	6	9,889
Due from Agency Fund	10,000	--	--	--	--	10,000
Total Assets	\$ 324,528	\$ 247,818	\$ 49,532	\$ 124,765	\$ 24,681	\$ 771,324
LIABILITIES						
Accounts Payable	\$ 3,125	\$ --	\$ --	\$ --	\$ --	\$ 3,125
Accrued Payroll & Related Liabilities	1,442	1,673	--	--	--	3,115
Total Liabilities	4,567	1,673	--	--	--	6,240
FUND BALANCE						
Restricted	--	246,145	49,532	124,765	--	420,442
Assigned	--	--	--	--	24,681	24,681
Unassigned	319,961	--	--	--	--	319,961
Total Fund Balance	319,961	246,145	49,532	124,765	24,681	765,084
Total Liabilities and Fund Balance	\$ 324,528	\$ 247,818	\$ 49,532	\$ 124,765	\$ 24,681	\$ 771,324

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Blue Lake
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Total Fund Balance - Governmental Funds	\$	765,084
General government intangible assets of \$1,262,323 net of accumulated amortization of \$262,788 are not financial resources and accordingly are not reported in the funds		999,535
General government capital assets of \$1,318,549 net of accumulated depreciation of \$589,634 are not financial resources and accordingly are not reported in the funds		728,915
Total Net Position - Governmental Funds	\$	<u>2,493,534</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Blue Lake
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	<u>Special Revenue</u>				<u>Nonmajor</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire</u>	<u>Trash Pickup</u>	<u>Highway Improvement</u>	<u>Improvement Revolving</u>	
Revenues						
Taxes	\$ 123,791	\$ 107,350	\$ 42,938	\$ 128,821	\$ --	\$ 402,900
Licenses & Permits	1,685	--	--	--	--	1,685
State Revenue Sharing	45,360	--	--	--	--	45,360
Grant Revenue	--	500	--	--	--	500
Charges for Services	4,927	--	--	--	--	4,927
Interest & Rents	1,607	631	129	352	10,933	13,652
Other	3,667	50	--	--	--	3,717
Total Revenues	<u>181,037</u>	<u>108,531</u>	<u>43,067</u>	<u>129,173</u>	<u>10,933</u>	<u>472,741</u>
Expenditures						
Legislative	28,349	--	--	--	--	28,349
General Government	83,247	--	--	--	--	83,247
Public Safety	10,845	70,656	--	--	--	81,501
Health & Welfare	1,851	--	--	--	--	1,851
Public Works	--	--	44,400	--	--	44,400
Community & Economic Development	13,012	--	--	--	--	13,012
Capital Outlay	--	--	--	121,156	6,090	127,246
Total Expenditures	<u>137,304</u>	<u>70,656</u>	<u>44,400</u>	<u>121,156</u>	<u>6,090</u>	<u>379,606</u>
Excess of Revenues Over (Under) Expenditures	<u>43,733</u>	<u>37,875</u>	<u>(1,333)</u>	<u>8,017</u>	<u>4,843</u>	<u>93,135</u>
Other Financing Sources (Uses)						
Transfers from Other Funds	--	--	--	--	--	--
Transfers to Other Funds	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>43,733</u>	<u>37,875</u>	<u>(1,333)</u>	<u>8,017</u>	<u>4,843</u>	<u>93,135</u>
<i>Fund Balance at Beginning of Period</i>	276,228	208,270	50,865	116,748	19,838	671,949
Fund Balance at End of Period	<u>\$ 319,961</u>	<u>\$ 246,145</u>	<u>\$ 49,532</u>	<u>\$ 124,765</u>	<u>\$ 24,681</u>	<u>\$ 765,084</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Blue Lake
 Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
 Changes in Fund Balance with Statement of Activities
 For the Year Ended June 30, 2014**

Total Net Change in Fund Balances - Governmental Funds	\$	93,135
--	----	--------

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their useful lives as depreciation. This is the amount by which capital outlay expenditures of \$127,246 exceeded depreciation expense of \$116,142 in the current period

		11,104
--	--	--------

Changes in Net Position - Governmental Funds	\$	<u>104,239</u>
---	-----------	-----------------------

**Township of Blue Lake
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014**

	<u>Agency</u>
	<u>Tax Fund</u>
ASSETS	
Cash & Cash Equivalents	\$ 10,096
<i>Total Assets</i>	<u>10,096</u>
LIABILITIES	
Due to General Fund	10,000
Due to Other Agencies	96
<i>Total Liabilities</i>	<u>10,096</u>
NET POSITION	
Held in Trust	<u>\$ --</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

Township of Blue Lake

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Blue Lake Township is a general law township located in Kankaska County. Population as of the 2010 census was 387, and the current taxable value is \$101,384,329.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following fund types:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Township of Blue Lake

Notes to the Financial Statements

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds - These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

In addition to the general fund, the Township reports the following major governmental funds:

The **highway improvement fund** provides road and highway improvements funded by property taxes. The Township works with Kalkaska County Road Commission to pave and repair its roads.

The **fire fund** provides funding to the Fire and Rescue department for both operational and equipment needs.

The **trash pickup fund** is used to pay a contractor to collect and dispose of residential trash.

The nonmajor **improvement revolving fund** uses rents and royalties to fund any type of improvements in the Township.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues, expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Township of Blue Lake

Notes to the Financial Statements

The revenue susceptible to accrual is property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

Budgets

The general fund and special revenue funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Assets	Useful Life
Buildings	40 years
Machinery & Equipment	5-22 years

Compensated Absences

The Township provides no compensated absences for its employees.

Township of Blue Lake

Notes to the Financial Statements

Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and / or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$ 101,384,329	0.8123
Trash Pickup	101,384,329	0.4000
Fire Operations	101,384,329	1.0000
Highway Improvement	101,384,329	1.2000
Hospital	101,384,329	1.6000

Net Position

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments; or law through constitutional provisions of enabling legislation.

Unrestricted - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Equity

In the fund financial statements fund balance is presented in five possible categories, each of which identifies the extent to which the Township is bound to honor constraints on the specific purpose for which the amounts can be spent:

Nonspendable – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained directly.

Township of Blue Lake

Notes to the Financial Statements

Restricted – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates).

Committed – amounts that are committed for specific purposes by the Board, as the Township’s highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – amounts that are constrained by the Board’s intent, or designee of the Board, to be used for specific purposes, but are neither restricted nor committed.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Designations of fund balance represent tentative management plans that are subject to change. It is the Township’s policy to first use restricted resources when both restricted and unrestricted net position or fund balances are available. For purposes of fund balance classification, expenditures are to be spend from restricted fund balance first (when appropriate), followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data / Reclassifications

Comparative data is not included in the Township’s financial statements.

Township of Blue Lake

Notes to the Financial Statements

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.

All funds had positive fund balances at June 30, 2014.

Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2014, the Township had no expenditures in excess of appropriations.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
4. Repurchase agreements consisting of instruments defined in (1) above.
5. In bankers' acceptances of United States Banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

Township of Blue Lake

Notes to the Financial Statements

Types of Deposits and Investments

Cash and cash equivalents are reported in the financial statements as follows:

	Governmental Activities
Cash & Cash Equivalents	\$ 751,435

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. State law does not require, and the Township does not have a deposit policy for, custodial credit risk. The carrying amounts of the Township’s deposits with financial institution were \$751,435 and the Bank Balance was \$755,448. The balance is categorized as follows:

	Bank Balance	Carrying Amount
Amount Insured by the FDIC	\$ 272,771	\$ 272,771
Amount Uncollateralized and Uninsured	482,677	478,664
	\$ 755,448	\$ 751,435

NOTE 4 – CAPITAL / INTANGIBLE ASSETS

Capital assets of governmental activities consisted of the following at June 30, 2014:

	June 30, 2013	Additions	Reductions	June 30, 2014
Governmental Activities - Capital Assets				
Capital Assets not Being Depreciated - Land	\$ 1,705	-	-	1,705
Capital Assets Being Depreciated				
Buildings	499,435	6,090	-	505,525
Vehicles & Equipment	811,319	-	-	811,319
Total Capital Assets Being Depreciated	1,310,754	6,090	-	1,316,844
Less Accumulated Depreciation				
Buildings	139,182	12,925	-	152,107
Vehicles & Equipment	393,150	44,378	-	437,528
Total Accumulated Depreciation	532,332	57,303	-	589,634
Total Capital Assets - Governmental Activities	\$ 780,127	\$ (51,213)	\$ -	\$ 728,915

Intangible assets at June 30, 2014 consisted of major improvements to roads owned & maintained by Kalkaska County.

	June 30, 2013	Additions	Reductions	June 30, 2014
Governmental Activities - Intangible Assets				
Road Improvements	1,141,167	121,156	-	1,262,323
Less Accumulated Ammortization:	203,949	58,839	-	262,788
Total Intangible Assets - Governmental Activities	\$ 937,218	\$ 62,317	\$ -	\$ 999,535

Township of Blue Lake

Notes to the Financial Statements

Depreciation expense was charged to governmental functions of the Township as follows:

Governmental Activities	
General Government	\$ 10,812
Public Safety	46,491
Public Works	58,839
Total Governmental Activities	\$ 116,142

NOTE 5 - PENSION PLAN

The Township maintains a defined contribution money purchase pension plan for Michigan Township employees under contract with Municipal Retirement Systems, Inc. Listed below is a summary of the significant plan provisions adopted by Board Resolution in July 1991, and amended in July 2001:

Eligibility Requirements

1. Attained age of 18.
2. No minimum service requirement.
3. All Township officials and employees earnings over \$500 annual compensation.
4. Thirteen employees were eligible for the 2012-2014 plan year.

Contributions

1. Approximately 10% of annual compensation funded 100% by the Township on an annual basis.
2. Compensation determined by the wages for the fiscal year coinciding with or ending within the Plan year.

Vesting

1. Contributions are vested to the employee immediately upon early retirement, termination of service, death, disability, or normal retirement at 100%.

Plan Administration

1. The plan is administered by Municipal Retirement Systems, Inc. During the year of audit, the total Township contributions paid for the plan year, August 20, 2013 to August 19, 2014, were \$8,325.

Township of Blue Lake

Notes to the Financial Statements

NOTE 6 – INTERFUND BALANCES & TRANSFERS

As of June 30, 2014 fiduciary funds owed the general fund \$10,000 for an interfund loan used to keep the current interest-earning checking account open. Bank regulations require a minimum balance of \$10,000 to avoid penalties.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Fiduciary Tax Fund	\$ 10,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Township had interfund transfers during this year.

NOTE 7 - ECONOMIC DEPENDENCY

\$98,551 of 2013 property taxes and \$9,806 of 2013 property tax administration fees were received from Blue Lake Gas/ANR Storage and Pipeline. This represents approximately 25% of the total combined 2013 property taxes and property tax administration fees.

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 – CONTINGENT LIABILITIES

The Township, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Township's management estimate that the potential claims against the Township, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Township.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Blue Lake
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
Revenues				
Taxes	\$ 125,930	\$ 125,930	\$ 123,791	\$ (2,139)
Licenses & Permits	600	600	1,685	1,085
State Revenue Sharing	33,000	33,000	45,360	12,360
Charges for Services	4,800	4,800	4,927	127
Interest & Rents	725	725	1,607	882
Other	700	700	3,667	2,967
Total Revenues	<u>165,755</u>	<u>165,755</u>	<u>181,037</u>	<u>15,282</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>165,755</u>	<u>165,755</u>	<u>181,037</u>	<u>15,282</u>
Expenditures				
Township Board	38,050	38,050	28,349	9,701
Supervisor	17,075	17,075	12,158	4,917
Elections	10,229	10,229	2,174	8,055
Assessor	18,226	18,226	13,728	4,498
Clerk	20,752	20,752	17,347	3,405
Board of Review	1,760	1,760	940	820
Township Hall	24,000	24,000	17,143	6,857
Treasurer	23,146	23,146	19,757	3,389
Sheriff Contract	11,500	11,500	10,845	655
Zoning Administrator	23,228	23,228	13,012	10,216
Hospital	2,080	2,080	1,851	229
Total Expenditures	<u>190,046</u>	<u>190,046</u>	<u>137,304</u>	<u>52,742</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>190,046</u>	<u>190,046</u>	<u>137,304</u>	<u>52,742</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(24,291)</u>	<u>(24,291)</u>	<u>43,733</u>	<u>68,024</u>
Net Change in Fund Balance	<u>(24,291)</u>	<u>(24,291)</u>	<u>43,733</u>	<u>68,024</u>
Fund Balance at Beginning of Period	<u>276,228</u>	<u>276,228</u>	<u>276,228</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 251,937</u>	<u>\$ 251,937</u>	<u>\$ 319,961</u>	<u>\$ 68,024</u>

Township of Blue Lake
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes	\$ 107,288	\$ 107,288	\$ 107,350	\$ 62
Grant Revenue	--	--	500	500
Interest & Rents	450	450	631	181
Other	--	--	50	50
Total Revenues	<u>107,738</u>	<u>107,738</u>	<u>108,531</u>	<u>793</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>107,738</u>	<u>107,738</u>	<u>108,531</u>	<u>793</u>
Expenditures				
Public Safety	82,975	82,975	70,656	12,319
Capital Outlay	20,000	20,000	--	20,000
Total Expenditures	<u>102,975</u>	<u>102,975</u>	<u>70,656</u>	<u>32,319</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>102,975</u>	<u>102,975</u>	<u>70,656</u>	<u>32,319</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>4,763</u>	<u>4,763</u>	<u>37,875</u>	<u>33,112</u>
Net Change in Fund Balance	<u>4,763</u>	<u>4,763</u>	<u>37,875</u>	<u>33,112</u>
<i>Fund Balance at Beginning of Period</i>	208,270	208,270	208,270	--
Fund Balance at End of Period	<u>\$ 213,033</u>	<u>\$ 213,033</u>	<u>\$ 246,145</u>	<u>\$ 33,112</u>

Township of Blue Lake
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Trash Pickup
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		(Unfavorable)
				Final to Actual
Revenues				
Taxes	\$ 42,600	\$ 42,600	\$ 42,643	\$ 43
State Revenue Sharing	447	447	295	(152)
Interest & Rents	155	155	129	(26)
Total Revenues	<u>43,202</u>	<u>43,202</u>	<u>43,067</u>	<u>(135)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>43,202</u>	<u>43,202</u>	<u>43,067</u>	<u>(135)</u>
Expenditures				
Contracted Services	48,300	48,300	44,400	3,900
Total Expenditures	<u>48,300</u>	<u>48,300</u>	<u>44,400</u>	<u>3,900</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>48,300</u>	<u>48,300</u>	<u>44,400</u>	<u>3,900</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(5,098)</u>	<u>(5,098)</u>	<u>(1,333)</u>	<u>3,765</u>
Net Change in Fund Balance	<u>(5,098)</u>	<u>(5,098)</u>	<u>(1,333)</u>	<u>3,765</u>
Fund Balance at Beginning of Period	50,865	50,865	50,865	--
Fund Balance at End of Period	<u>\$ 45,767</u>	<u>\$ 45,767</u>	<u>\$ 49,532</u>	<u>\$ 3,765</u>

Township of Blue Lake
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Highway Improvement
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
Revenues				
Taxes	\$ 129,148	\$ 129,148	\$ 128,821	\$ (327)
State Revenue Sharing	600	600	--	(600)
Interest & Rents	50	50	352	302
Total Revenues	<u>129,798</u>	<u>129,798</u>	<u>129,173</u>	<u>(625)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>129,798</u>	<u>129,798</u>	<u>129,173</u>	<u>(625)</u>
Expenditures				
Capital Outlay	170,100	170,100	121,156	48,944
Total Expenditures	<u>170,100</u>	<u>170,100</u>	<u>121,156</u>	<u>48,944</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>170,100</u>	<u>170,100</u>	<u>121,156</u>	<u>48,944</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(40,302)</u>	<u>(40,302)</u>	<u>8,017</u>	<u>48,319</u>
Net Change in Fund Balance	<u>(40,302)</u>	<u>(40,302)</u>	<u>8,017</u>	<u>48,319</u>
Fund Balance at Beginning of Period	116,748	116,748	116,748	--
Fund Balance at End of Period	<u>\$ 76,446</u>	<u>\$ 76,446</u>	<u>\$ 124,765</u>	<u>\$ 48,319</u>

SUPPLEMENTARY INFORMATION

Township of Blue Lake
2013 Property Tax Levy and Collections Schedule
For the Year Ended June 30, 2014

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>
County	5.4562	\$ 581,701	\$ 581,701
County Transit	0.2500	26,649	26,649
Commission on Aging	0.4988	53,304	53,304
County Library	0.2500	26,649	26,649
Sportsplex	0.9800	77,822	77,822
Hospital	1.6000	170,579	170,579
Animal Control / Recycle	0.2500	26,649	26,649
Kallis Operational	0.2500	26,649	26,649
State Education	6.0000	570,427	570,427
School District	19.7500	1,765,640	1,765,640
Intermediate School District	2.9312	312,500	312,500
Township			
General	0.8123	86,596	86,596
Trash Pickup	0.3000	42,642	42,642
Fire Operations	1.0000	106,611	106,611
Highway Improvement	1.2000	127,933	127,933
Total		<u>\$ 4,002,351</u>	<u>\$ 4,002,351</u>

December 9, 2014

To the Township Board
Township of Blue Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the Township of Blue Lake for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and *Government Auditing Standards*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 22, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Blue Lake are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Township of Blue Lake's financial statements was:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of management, the Township Board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 9, 2014

To the Township Board
Township of Blue Lake, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Township of Blue Lake, Michigan, (the "Township") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Township's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Best regards,

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI